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Welfare reform and labour market dynamics: a preliminary review of the literature

Strand 1: Working Paper II

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Introduction

The notion of labour market dynamics has played a prominent role in recent years. This is due not least to the concept of transitional labour markets originally developed by Günther Schmid and his team at the WZB in Berlin (TLM, see e.g. Schmid and Reissert 1996, Schmid 1998 or chapters in Schmid and Gazier 2002). The TLM concept refers to the observation that the borderlines between gainful employment and other productive activities are becoming blurred as people transit increasingly between different employment statuses and between gainful employment and labour market inactivity over the life cycle such as unemployment, education, training, unpaid family work or retirement. Thus, TLM emphasises the dynamics of labour markets, which means focusing the analysis on flows rather than on stocks (see O'Reilly 2003, foreword by G. Schmid, p. xiv).

Within the WZB labour market research programme, transitional labour markets are defined as institutional arrangements that enable individuals to move between different employment relationships in a coordinated way while retaining an adequate level of social protection and to combine paid and unpaid work. Transitional labour markets provide protection not only against unemployment but also against income and employment risks associated with transitions and thus offer incentives to take such risks, e.g. moving from dependent into self-employment or from a full-time to a part-time job. The extension of unemployment insurance, turning it into a form of employment or working life insurance that insures or safeguards individuals against all risks to their earnings (not just unemployment), reduces those risks through preventive measures and increases their willingness to accept flexible employment relationships (Schmid 2004).

The TLM concept has since become the focus of an international 'thematic network' of research organisations and academics (TLM.net) which is supported by the European Commission (http://www.siswo.uva.nl/tlm). Given the research and literature produced by the network, this report does not aim to review the literature linked to TLM. Instead, while recognising some overlap and common interests between TLM.net and RECWOWE, we take as our point of departure the interface between welfare states and the labour market. More concretely, in the context of the work produced by strand 1 within RECWOWE, this report focuses on the 'long-term effects' of welfare state programmes (particularly activation policies) in terms of labour market transitions. In other words, the preliminary review of literature presented here is specific to research into the impact of welfare state programmes (and changes thereof) on moves between employment, unemployment and inactivity.

The literature on the effects of welfare state benefits on the level and duration of unemployment is a relatively well established theme in the academic literature. We have reviewed arguments from economic theory which generally assume that benefits prolong job search and unemployment spells and summarised the empirical evidence. Most of this research has been undertaken by economists. However, there is a growing body of sociological analyses on this subject matter too. Of particular interest, although not that numerous yet, are studies which adopt a longitudinal perspective and analyse the effect of welfare state reform, i.e. institutional change, on labour market dynamics. Given the overall remit of RECWOWE generally, and the interest in aspects such as long-term effects of activation policies as well as intended and unintended consequences of welfare state change in particular, this is a research area which we would like to review further.

Finally, the preliminary nature of this report should be noted. The aim was not to be comprehensive at this stage but to feed into one of the tasks of strand 1, i.e. the investigation of the (long-term) effects of activation policies, which will play a prominent role in RECWOWE's second period (2008-2009). We consider the following therefore as the beginning of a review which can be extended further during the course of the work of strand 1 within RECWOWE.

Welfare state reform and Labour market dynamics

One element of RECWOWE's remit generally, and strand 1 focus on labour market flexibility and social security in particular, is the impact of welfare state institutions on labour market participation. Narrowly understood and perhaps most prominently researched, this would apply to active labour market policies and their influence on preventing or at least dealing with unemployment. Welfare state programmes such as training, job search assistance and work experience schemes are designed to help unemployed persons, as well as other working age groups (lone parents, persons with disabilities) find a way back into employment via what is nowadays called individual levels of 'employability'. Of course, there is a long history and ample literature on the effects, or lack thereof, of labour market programmes (for an overview, see Martin 2000) which will not be reviewed here.

Instead, with a focus not only on transitions between unemployment and employment, but between employment, unemployment and other states of non-employment, such as education, early retirement, care or inactivity more generally, we would like to ask whether and in which ways welfare state institutions affect labour market transitions. We are interested in transitions only in relation to (and influenced by) welfare state institutions and programmes. To some extent, such a focus has a long tradition, most prominently in relation to the effect of unemployment benefits on the incidence and length of unemployment spells (see below). More broadly, however, there has recently been a growing interest in the impact of welfare state institutions on labour market careers. Making use of longitudinal methods, panel data analyses show that economic conditions, but also policy changes, have indeed had significant effects on movements between inactivity, employment and unemployment. However, studies which investigate these aspects in a dynamic and comparative perspective, and focus on the impact of welfare state *reform*, have yet to be conducted in any systematic fashion. If anything, the latter seems to be a promising field of research not least due to RECWOWE's interest in the long-term (intended and unintended) effects of welfare reform generally and activation policies in particular.

Unemployment compensation and unemployment

Just as the category 'unemployed' is heterogeneous so are the categories 'not-in-the-labour-force' and 'employed'. Unemployment may comprise people who receive compensation and those who do not; those who are actively seeking work and those have given up job search because they are discouraged by the labour market situation or who have already secured a new job, and so on. Inactivity may include those who are sick or disabled; caring for children or other dependants; those who are engaged in other unpaid work; retired; on military service; or in education and training. Employment can mean employed or self-employed; working full-time or part-time, and having regular or marginal jobs. Regular jobs are usually full-time, relatively stable, covered by statutory employment protection, and part of the legal economy. They may offer some prospect of promotion and may involve a substantial element of training. Marginal, precarious, casual or irregular jobs lack one or more of these features. This distinction between regular and marginal jobs is also captured by the primary and secondary sector (or 'bad jobs, good jobs') in a dual labour market, with a crucial distinction in terms of the degree of worker protection. Regular and marginal jobs are likely to be associated with different patterns of transitions between labour market states. The probability of job termination decreases with the duration of job tenure, partly because some jobs are temporary by nature. Evidence also suggests that substantial moves out of unemployment are to temporary jobs, reflecting in part the practice of providing or subsidising temporary work through labour market programmes.

Studies into the 'disincentive effects' of unemployment benefits, a preoccupation amongst labour market economists in particular, tend to ignore these complications. Instead, the central question has been whether unemployment benefits and other income transfer programmes might have become too generous, thereby fostering exit from employment or prolong unemployment. This concern has been expressed by economists particularly since the rise in unemployment levels and growing state deficits in the mid 1970s. The advancement of econometric techniques (e.g. hazard functions, see Kiefer 1988) and the emergence of job search theory as a major framework for labour market analysis also contributed to the increased attention of this topic among economists (Holmlund 1998). Economic job search theory predicts that the duration of unemployment depends on the individual's reservation wage which is influenced by unemployment compensation. Therefore increases in unemployment benefit replacement rates and extensions in benefit periods should lead to a reduction in job search effort and hence to longer unemployment durations. Typically economists have focused on the negative effects of high unemployment benefits on the labour market, causing the unemployed to be less willing to accept jobs and even inducing some workers to quit employment. However, job search theory offers a second complementary prediction about the effects of unemployment benefits on job search outcomes among unemployed workers: unemployment compensation should not only prolong unemployment spell duration but at the same time improve post-unemployment job quality (Gangl 2002a).

Economists have identified and estimated the potential behavioural responses to diverse work disincentives implicit in some income transfer programmes (see Holmlund, 1998, for an overview of economic analyses of the effects of unemployment insurance). Based on changes in the Austrian unemployment benefit legislation Lalive et al (2006) find empirical evidence which is consistent with the predictions of job search theory. The effect of changes in replacement rates and benefit duration is stronger among older age groups because of two reasons. The first is that older workers receive fewer job offers because employers prefer to hire young or prime-age workers. The second reason is that older workers are close to retirement or have opportunities to become eligible for early retirement and therefore have a lower incentive to search employment because the net benefit of finding a job is small. As a consequence, a more generous unemployment insurance system may induce older workers to reduce their search efforts more strongly than prime-age workers.

While income transfer programmes such as unemployment compensation schemes may create welfare losses, income transfers may also increase efficiency, e.g., improved job-worker matches, improved worker health, and increased willingness to accept technological change or to bear risk. Danziger et al (1981) provide an early review of analyses which estimated labour supply effects of diverse income transfer programmes in the US. The econometric methods employed in such studies were diverse and their overall varied considerably. Moreover, important explanatory variables such as local labour market conditions remained absent in some studies and measured poorly in others. Findings were contradictory due to differences in data sets, regression techniques and the choice of variables. For example, while most studies suggest that labour supply and retirement decisions of the aged are negatively affected by Old Age and Survivors Insurance, the magnitude of this incentive is doubtful (Danziger et al 1981: 987).

The same can be said for studies on the effect of unemployment insurance on the duration of unemployment. Due to methodological problems, it is difficult to draw precise conclusions about the overall labour supply impact. In general, although a positive relationship between unemployment insurance and duration of unemployment appears robust, the effects seem to be rather modest (Danziger et al 1981: 992). One study considered most reliable (Moffitt and Nicholson 1982) indicates that a rise in the replacement ratio of 10 percentage points would increase the average duration of unemployment by about one week. Such estimates suggest that only relatively large benefit cuts could reduce unemployment by a substantial amount. In a somewhat dated but still seminal review, Atkinson and Micklewright (1991) cast doubts about the robustness of such findings due to the sensitivity of results to unrealistic assumptions made about benefit systems in theoretical models. Subsequent research, using micro data and demonstrating greater awareness of institutional details of unemployment benefit systems (mainly from the U.S. and the U.K. but increasingly also from other OECD countries) found only minor effects of benefit levels on benefit duration (Atkinson and Micklewright 1991: 1712).

In any case, it is important to note that prolonged job search - which is enabled by extended unemployment benefits - may also improve job matching. Moreover, in an economy with involuntary unemployment not all of the labour supply would be employed so the real effect on labour supply can only be guessed within a wide band around the different estimates. Danziger et al conclude that the research findings 'are too varied, too uncertain, and themselves too colored with judgement to serve as more than a rough guide to policy choices' (Danziger et al 1981: 1020).

The policy implication of such theories is that the adequacy of benefit levels has to be traded off against their disincentive effect. Yet, this is a gross oversimplification according to Atkinson and Micklewright (1991) who claim that only a relatively small number of studies paid attention to the 'real-world features of unemployment compensation' (ibid. p. 1699) and that some institutional details have even been almost totally ignored. The emphasis in theoretical and empirical work has been on the effects of changes in the replacement rate rather than the different conditions for receipt of unemployment compensation. Moreover, it is important to keep in mind that not all workers receive unemployment benefits due to insufficient qualification periods, disqualifying conditions or means-testing. When such institutional features are taken into account, it becomes apparent that unemployment benefit may have also positive effects on the incentive to work. Specifying such conditions as well as calculating the existence of dual labour markets may lead to different conclusions from the standard economic models. Atkinson and Micklewright (1991, p. 1706) conclude that the effect of unemployment insurance may be reversed when account is taken of such aspects as the requirement for previous insured employment, disqualification for voluntary quitting, or of the restricted coverage of unemployment insurance. For example, a rise in the benefit level may encourage labour force participation, making regular employment more attractive than marginal jobs. In other words, unemployment compensation may influence the type of employment taken up by those leaving unemployment.

Likewise Holmlund (1998) points to a considerable degree of uncertainty regarding the magnitudes of the adverse effects of unemployment insurance on unemployment duration. He claims that simply looking at changes in unemployment is not sufficient to gauge the welfare effects of unemployment insurance. For example, the nature of capital market imperfection plays a crucial role in the appropriate design of unemployment insurance policies. If workers can self-insure through saving and borrowing, the case for generous public unemployment insurance is weakened.

Similarly, within a household the job loss of one member can be offset through increased labour supply of another household member. The interactions of such forms of private insurance with public unemployment insurance need to be better understood (Holmlund, 1998: 138).

Institutional parameters

Atkinson and Micklewright (1991) criticise that econometric models tend not to specifically focus on the flow between employment and unemployment but consider inflows to unemployment from all labour market states. They also repeatedly emphasise that analyses of unemployment benefit systems need to take account of both the level of benefits as well as maximum entitlement periods. An exceptional study in that respect is that by Lalive et al (2006). They manage to take into account the separate effects of the benefit replacement rate and the potential benefit duration by taking advantage of a policy change introduced in 1989 by the Austrian government, which affected various unemployed workers differently: a first group experienced an increase in the replacement rate; a second group experienced an extension of the potential duration period; a third group experienced both a higher replacement rate and a longer duration period; finally, a fourth group experienced no change in the policy parameters. In line with the predictions of job search theory they find that unemployed workers react to the disincentives by an increase in unemployment duration and that costs due to behavioural responses are substantial. A similar quasi-experimental research design was employed by Bennmarker et al (2007) when two unemployment insurance reforms were introduced in Sweden in 2001 and 2002. They studied the effect of these reforms on transitions from unemployment to employment. While the overall effect on the duration of unemployment was insignificant they found that the two reforms in conjunction have increased the expected duration of unemployment among men but have decreased the duration of unemployment among women.

Estimates suggest that an increase in the potential duration of unemployment insurance by one week prolongs the mean unemployment spell by about 0.10-0.20 weeks (studies by Moffitt and Nicholson 1982, Moffitt 1985, and Katz and Meyer 1990). However, there seem to be significantly different patterns for different transitions from unemployment to other labour market states. The most significant negative effects are those of benefit *duration* on the transition from unemployment to employment, of benefit *level* on the transition to training, and of *both* variables on exit to inactivity. For example, falling benefits levels relative to student grants may make full-time education more attractive (Atkinson and Micklewright 1991: 1713-14). Empirical evidence on the specific significance of the effect of unemployment benefit levels on the entry to unemployment is rather limited, but it does not appear that benefits have much effect on inflows into unemployment (*ibid*., p. 1715).

Another relevant factor is the way in which benefits are administered. A person claiming unemployment benefit has to satisfy various conditions concerning the circumstances of entry to unemployment and to search for new employment. Policy makers may find the tightening of such conditions politically more acceptable than reducing benefit levels. However, time-series of disqualification statistics do not present very concrete evidence. Again, the distinction between different labour market transitions is important. While some claimants may increase their search activity and hence their chances of reemployment, others may simply leave the labour force completely. Moreover, the effect of administrative pressures and increased claim monitoring may be towards transitions to marginal jobs as there are typically more vacancies of this kind (Atkinson and Micklewright 1991: 1719). However, little is known about the effect of unemployment compensation on people leaving the labour force or about their taking up marginal jobs. The authors conclude that future research has to distinguish different labour market states and treat the institutional features of different forms of unemployment benefit.[1]

Macro-level institutional effects

Nickell (1997) tests the hypothesis that labour market rigidities and inflexibilities are the reason behind high unemployment levels in Europe in the 1980s and early 1990s. He finds that four labour market features help sustain high unemployment rates: first, generous unemployment benefits that are unlimited in duration, combined with little pressure on the unemployed to obtain work and low levels of active labour market

[1] More recent evidence suggests that there is a strong effect of the strictness with which the benefit system is operated, at given levels of benefits, on the duration of unemployment (Nickell et al. 2005).

policies. Second, high union density rates with collective bargaining but no co-ordination between either union or employers in wage bargaining. Third, high overall taxes (payroll and consumption taxes) impinging on labour or a combination of high minimum wages for young people in connection with high payroll taxes. Finally, low educational standards at the bottom end of the labour market. In contrast, the following labour market rigidities do not appear to have serious implications for average unemployment levels: strict employment protection legislation and general legislation on labour market standards; generous levels of unemployment benefit if these are linked with pressure on the unemployed to take jobs, e.g. by fixing the duration of benefit or activation measures; high levels of unionisation, so long as they are offset by high levels of co-ordination in wage bargaining, particularly among employers (Nickell 1997: 72).

In other words, not all so-called labour market rigidities are associated with high levels of unemployment in Europe. He also points out that the variation across European countries is larger than the variation between the European average and the U.S. or Japan. For example, rates of job turnover are no higher in North America than in Europe and neither are overall wages any more flexible, but it seems that U.S. workers are more mobile than are many Europeans both geographically and between jobs (Nickell 1997: 59). There also remains the problem of reverse causality of such simple cross-section correlations since generous unemployment benefits might have been introduced as a response to persistent levels of unemployment. Finally, Nickell raises the question why roughly the same labour market institutions which 'generated' low levels of unemployment until the 1970s should since then be held responsible for high unemployment rates (see also Blanchard and Wolfers 2000). One explanation he gives is that the institutions had a big impact on the way in which each of the different economies responded to the major adverse shocks of the 1970s and the way in which some of these responses persisted through the 1980s and 1990s (Nickell 1997: 66).

In contrast to earlier findings (Nickell 1997) in a more recent study Nickell et al (2005) argue that the rise in unemployment across the OECD between the 1960s and the first half of the 1990s can be explained to a large extent by shifts in labour market institutions. Interactions between these institutions and shocks make no significant additional contribution to the understanding of OECD unemployment changes, but strong employment protection legislation is a key factor in generating labour market inflexibility. A positive effect on unemployment levels is also exerted by employment taxes, but this is modified in economies with coordinated wage bargaining. In contrast to previous findings, benefit levels and benefit duration, their interaction, as well as increases in labour taxes seem to have an important impact on unemployment. By contrast, Nickell et al (2005) find no significant effect of union density on unemployment although they find a positive rate of change effect. This suggests that increasing union density rates exert a pressure on wages and raises unemployment. Yet this effect disappears when union density stabilises at the new higher density rate. There is strong evidence that the strictness with which the benefit system is operated, at given levels of benefit, is a very important determinant of unemployment duration.

In sum, empirical evidence showed that unemployment insurance may exert adverse effects on the incentive for the unemployed to leave unemployment but these are typically small in magnitude and the underlying research methodologies are often weak. Other programme features than benefit levels seem to be more important as barriers for (re-)entering employment. Secondly, there is little ground for believing that much voluntary quitting is induced by the existence of unemployment insurance.[2] Unemployment insurance may even have positive effects on labour market participation and favours regular rather than marginal employment. Thirdly, other labour market institutions may exert stronger effects on unemployment rates. Finally, it is important to distinguish different effects on different types of workers (for example, old or young, in regular employment or marginal employment) and different labour market transitions.

Sociological and longitudinal analyses of welfare state programmes and labour market dynamics

Based on job search theory and its derivatives, many econometric studies, including those referred to above, concentrate on the disincentive effects of welfare state transfers and adopt a critical stance on the interaction between benefit provision and labour markets. While job search theory suggests that the prolonged unemployment

[2] An exception is the case of temporary layoffs where it seems that there may be a significant impact on employers' behaviour (Atkinson and Micklewright 1991).

duration might be offset by increases in post-unemployment job quality, empirical studies have slanted towards one side, namely the negative effects of unemployment benefits on unemployment duration. In contrast, within econometric analyses, relatively little regard has been paid to the effect of unemployment compensation on post-unemployment job quality. A few notable exceptions include Blau and Robins (1986) as well as Addison and Blackburn (2000), who report evidence of some small positive effects of unemployment insurance benefits on post-unemployment earnings and wages, while Belzil (1995; 2001) provides evidence of post-unemployment job stability.

While studies on the relationship between welfare state policies and labour markets have regularly been conducted in economics on both the macro- and micro-level of individual workers, by and large the sociological literature has either ignored the issue or focused on the stratification effects of unemployment dynamics in terms of gender, race, class, the life-cycle or labour market sectors and segments or on the relation between unemployment and macro-economic cycles or longer-run structural changes (see Gangl 2002a for references). There are exceptions, of course, such as studies on the effects of family policy on female labour force participation (e.g. Stier et al 2001) and the edited volume by Gallie and Paugam (2000) is a seminal attempt to link welfare state regimes and unemployment dynamics.[3] The contributions by Layte et al (2000) and Bernardi et al (2000) in particular find evidence of labour market regulation and employment protection affecting unemployment and job dynamics. However, Gangl (2002a) points out that the macro-comparative character of the chapters in the volume by Gallie and Paugam (2000) might be insufficient since it does not allow for more direct inferences about the causal effect of institutional differences.

In this respect, Gangl's (2002b) macro-sociological work based on longitudinal data analyses is pioneering as he addresses the causal effects of unemployment benefits on both unemployment duration and job quality. Based on discrete-time event history

[3] A related topic is the relationship between welfare state regimes and systems of industrial relations which has recently become prominent under the heading of "varieties of capitalism" but which shall not be the focus of this state-of-the-art review. Another recently rediscovered topic is the relationship between generous welfare states and strict activation measures as exemplified by the Nordic welfare states.

analysis of US and German panel data from 1984-1995, he finds support for both types of benefit effects. The use of longitudinal micro-level data confirms the well-known finding that labour market dynamics differ substantially between the two countries. In the study period of 1984 to 1995 unemployment duration among German workers well exceeded comparable US figures. More remarkably, however, Gangl finds significant differences in terms of post-unemployment job quality – measured on six different job quality measures including earnings loss, job duration and status mobility - in the two countries in line with the predictions of job search theory. Basically, workers covered by unemployment insurance tend to achieve better post-unemployment job outcomes than comparable workers without unemployment insurance coverage. Tatsiramos (2006) has since found similar results in a longitudinal (hazard rate) analysis of ECHP data for eight EU countries.

In other words, against some prolongation of unemployment spells, unemployment benefits effectively enable workers to maintain previously accumulated human capital by fostering adequate reemployment in terms of earning, occupations, or job duration. Thus, while most economic work only addresses the short-term direct effect of transfer payments on unemployment duration, Gangl (2002a) provides evidence that welfare state policies have indirect long-term effects in the sense of stabilising individual employment careers. Cross-national differences in labour market dynamics are thus assuming a much more prominent role in explaining cross-national differences in labour market dynamics than currently assumed in most stratification studies.

However, while the results establish an important role of the presence and type of transfer income, Gangl (2002a; 2002b) acknowledges that they also point to the effect of other institutional and structural factors that are necessary to incorporate in a fuller account of why unemployment dynamics differ that much between the US and West Germany or European countries more generally. For instance, institutional differences in labour market regulation and employment protection seem to be crucial as more flexible labour markets have been shown to create higher levels of job turnover and hence higher levels of job opportunity also for the unemployed. Another factor to be considered is the role of institutional differences in education and training systems, as the high degree of skill specialisation through the dual system of vocational training in Germany should lead to relatively strong worker interests in maintaining occupational continuity upon reemployment. Using ECHP and other panel data and covering further countries, such as Denmark, subsequent analyses by Gangl (2004a; 2004b; 2005), confirm that ‘scar’ effects of unemployment (in terms of the probability of a return to employment, the quality and duration of subsequent jobs, etc) differ considerably across countries due to the impact of welfare state programmes and institutional characteristics, such as transfer and training programmes, employment protection or activation schemes.

Equally making use of panel data analyses, DiPrete et al (2001) investigate the effects of institutional aspects in the form of labour market regulation on the structure of labour market dynamics, comparing French and Swedish workers on open-ended contracts with workers on fixed-term contracts in both countries. Explicitly addressing welfare state programmes (social insurance, employment protection) they are able to empirically test the labour market ‘insider-outsider’ theorem arguably producing long-term unemployment in continental welfare states and suggest replacing it with a flexible two-tier labour market model which, at least in France, is characterised by age-biased and education-biased labour market transition processes.

Investigating the effect of welfare state structures on labour market dynamics the work by DiPrete et al (2001) is complementary to that by Stier et al (2001) on the effects of family policies on female careers, or by Gallie and Alm (2000), Layte et al (2000) or Bernardi et al (2000) which compares unemployment dynamics in different welfare states. Gallie and Alm (2000) found tentative evidence that unemployed workers in more generous Scandinavian welfare states seem to be less inclined to compromise on job features required upon reemployment. Also some results by Layte et al (2000) relating to the lower propensity of Swedish unemployed to enter low-skill occupations after unemployment spells point into this direction by indicating positive effects of generous welfare states on individual job histories.

Finally, research into labour market transitions in a dynamic perspective and aiming to capture the intended and unintended effects of institutions before and after major reforms seems rather rare. There are a few explorative studies though. For example, using German and British panel data Clasen et al (2006) showed that the reform which introduced the Jobseekers Allowance regime in the UK in 1996 had the effect of lowering the rate of transitions from employment into unemployment, but also increased labour market inactivity of middle-aged men (25-50). Comparing Germany and the USA, DiPrete and McManus (2000) showed that variations in welfare state policy (tax and transfers) alter opportunity structures and exert influences not only on labour market transitions but also family change and gender relations. In general, however, the comparative analysis of the effect not only of welfare state institutions but their variation (reform) on labour market transitions is both an area which is close to RECWOWE's concern and a field which is yet to be researched in any systematic comparative fashion.

Conclusion

Addressing long-standing concerns by economists about the (generally negative) role of unemployment transfers on the propensity to enter and remain unemployed, the need to pay attention to institutional differences across countries and the application of longitudinal data analysis, recent analyses have provided important insights in the interactions between welfare state programme and labour market dynamics. However, encompassing comparative analyses in this field, covering more than a few countries and analysing the effects of various welfare state programmes, have yet to be approached in a more systematic fashion. Moreover, in general the impact of welfare state programmes has been assessed from a perspective which has kept institutional variables constant. Given the interest in welfare reform and the assumed role of activation policies and labour market oriented reform of major transfer programmes more generally, it would be highly interesting to study more systematically the effects of welfare reform, and activation policies in particular, on labour market careers. Such an endeavour would, potentially, address one of the core aspects of RECWOWE, i.e. the investigations into the intended and unintended labour effects of activation policies.[4]

[4] In correspondence to this, a number of future task proposals have been suggested within the RECWOWE strand 1 group relating to aspects of activation policies.

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